Statement of
Ambassador Jeffrey M. Lang
Deputy United States Trade Representative

Before the
Subcommittee on Trade
Committee on Ways and Means
U.S. House of Representatives
July 23, 1997

Good afternoon, Mr. Chairman and Members of the Subcommittee. I appreciate very much the opportunity to bring before the Subcommittee USTR's views on the implications for our trade policy of the New Transatlantic Agenda initiative and associated activities. I shall be brief so that I may respond to any questions Members of the Subcommittee may have.

At the outset, I would note that, as U.S. cooperation with Europe on security matters formed the bedrock on which the post-Second World War peace was built, the U.S.-European trade relationship has been an anchoring point for the international trading system since the General Agreement on Tariffs and Trade came into force in 1947. The United States and the European Communities, known since the Maastricht Treaty as the European Union (EU), are the two largest actors in the global economy and each has benefitted from successive efforts to liberalize multilateral trade. It is safe to say that U.S. efforts to further multilateral trade liberalization cannot advance without the positive participation of the EU.

The truth of that statement is evident if one but takes a quick look at the dimensions of the transatlantic economic relationship. If the EU were a nation-state, it and the United States would share the largest two-way trade and investment relationship in the world. The numbers are impressive by any measure. The combined economic weight of trade and investment between the United States and the 15 member states of the EU exceeds $1 trillion. The EU collectively is the U.S.'s largest market for goods and services and vice versa. In 1996, two way trade in goods and services amounted to nearly $400 billion. In 1996, U.S. merchandise exports to the EU were $127.5 billion, an increase of $3.9 billion, or 3.2 percent, from 1995 levels. Imports from the EU in 1996 were $142.7 billion. On average during the post-war period, two-way trade has remained in rough balance. The stock of U.S. foreign direct investment into the EU in 1996 was $315.4 billion. The United States and the EU in 1995 each accounted for roughly one-half of the other's outward investment flows. To put this into perspective, consider that two-way U.S.-Canada trade in goods and services in 1996 was $327 billion and that two-way U.S.-China trade in goods and services in 1995 amounted to $62 billion. One of the basic messages I wish to leave with you today is that the sheer extent of transatlantic economic interactions makes it imperative that, no matter what other opportunities we perceive in the world, we must continue to bear in mind that truly vital U.S. economic interests are at stake in our relations with Europe.

Recognizing the major advantages that could accrue to both sides from expanding economic relations between the two regions, President Clinton and European Union leaders at the U.S.-EU Summit in Madrid in December 1995 made initiatives in the trade and investment area an integral part of the New Transatlantic Agenda (NTA). The genesis of the NTA lay in the desire of leaders on both sides to reaffirm the strong historic relationship between the United States and Europe and to promote their vision of a post-Cold War Europe united around the principles of democracy and free markets. The maintenance and furtherance of transatlantic prosperity was seen as a key component of any effort to move the transatlantic relationship into the post-Cold War era and the 21st century.

After much discussion both internally and across the Atlantic, the U.S. and the EU opted for a pragmatic approach to the task of improving economic relations. Cooperation being the key concept animating the NTA, we worked to construct a series of multilateral and transatlantic issues on which we could take positive joint steps, moving beyond the bickering and recrimination that have often accompanied our interactions on trade matters. The result was embodied in commitments laid out in the NTA "Joint Action Plan." The plan's economic section expresses the two sides' intention to cooperate in furthering the continuing evolution of the multilateral trading system. It also lists commitments designed to deepen the transatlantic relationship -- these actions are collectively termed the New Transatlantic Marketplace initiative. To supplement these government-to-government endeavors, the NTA also endorsed an enhanced role for European and American business through participation in the Transatlantic Business Dialogue (TABD). While I would defer to the State Department for overall analysis of the NTA process, let me say a few words about each of these three major components.

The Joint Action Plan's economic section includes both multilateral and transatlantic economic efforts, many of which were launched during 1996 and have continued into 1997 or will continue in the years ahead. Actions aimed at strengthening the multilateral trade and investment system include: consolidating the World Trade Organization; exploring ways to further reduce tariffs, which included an agreement to eliminate tariffs on information technology products (the Information Technology Agreement, or ITA); starting work on new international rules for intellectual property rights and government procurement; and agreeing to work together at the OECD to conclude a Multilateral Agreement on Investment.

New Transatlantic Marketplace actions designed to enhance U.S.-EU economic opportunities include: an ongoing joint study of remaining barriers to transatlantic trade and investment and ways to reduce them; implementation of a Customs Cooperation Agreement; reinforcing efforts to resolve outstanding trade disputes as part of a confidence-building process; and concluding Mutual Recognition Agreements (MRAs) to reduce regulatory burdens on business. Other New Transatlantic Marketplace commitments involve expanding an ongoing Information Society Dialogue to spur innovation and ensure interconnectivity and interoperability; and establishing a joint working group on employment and labor-related issues.

The TABD is a forum in which top American and European business leaders can meet to discuss ways to reduce barriers to U.S.-European trade and investment. The 1995 TABD Conference in

Seville kicked off a process of private sector evaluation of obstacles to business in both Europe and America. The result has been a series of business recommendations for governmental action to eliminate those obstacles.

What have the initiatives I have described above achieved in the year and a half since the NTA was announced? From USTR's point of view, I would say the results are mixed, but, then, we always suspected they would be by this point in the process. Certainly, the United States has benefitted from notable successes in the multilateral context. Conclusion of the Information Technology Agreement and the WTO Basic Telecommunications Services agreement are major steps forward for our high technology companies, which are among our most competitive. True to what I said earlier, such milestones could not have been reached without the participation of the European Union. At the Singapore WTO ministerial meeting last December, we achieved what we believe is a workable compromise with the EU on WTO treatment of the so-called "new issues" of trade and environment, trade and labor standards, trade and investment and trade and competition.

Under the rubric of the New Transatlantic Marketplace, we concluded the U.S.-EU Customs Cooperation Agreement, which will assist our customs services by streamlining their operations and boosting their enforcement efforts. We also concluded after great effort a Veterinary Equivalence Agreement that, while not as ambitious as we had hoped, still should do much to facilitate trade in live animals and animal products. We have launched our joint study of ways to reduce barriers to transatlantic trade by agreeing on a select group of sectors for initial examination. Of course, the New Transatlantic Marketplace action item receiving by far the most attention, from the private sector as well as from governments, has been the effort to complete negotiations on Mutual Recognition Agreements. This exercise was deemed the number one priority on the transatlantic agenda by both American and European companies participating in the TABD and became a key trade concern of President Clinton and EU leaders. The negotiated result we achieved just last month after three long years of talks sets a precedent in government-to-government cooperation on regulatory reform which should considerably ease burdens on businesses.

No international economic relationship as vast and intricate as that binding the United States and Europe could operate without problems. The very dynamism which propels this machinery inevitably results in a certain amount of friction, especially as the pace of innovation and adaption in the business world continues to accelerate. And indeed, we face a variety of problems associated with our relations with the EU. These disagreements can be serious. Sometimes, as with certain EU attitudes toward the regulation of trade in bioengineered foodstuffs, tens or hundreds of millions of dollars in trade can be at stake.

Many of our disagreements are long standing and are connected in one way or another to the EU's Common Agricultural Policy. Some agricultural disputes also stem from popular attitudes in Europe toward protection of the environment and of human health. European views on animal welfare have resulted in an EU threat to cut off U.S. fur exports. We frequently receive complaints from U.S. businesses related to European standards-setting practices, both at the EU and member state level - hence the substantial business interest in the MRAs. European industrial subsidies, particularly to the aircraft and shipbuilding industries, have long been a source of frustration for U.S. firms.

In the multilateral arena, we are concerned by certain signs that the EU, having repeatedly expressed its commitment to the successful implementation of the Uruguay Round and the smooth functioning of the WTO, is through its actions putting stresses on the international trading system that the system might not bear. We find particularly disturbing recent EU moves to bring to WTO dispute settlement cases which are more political in nature than commercial. This sets a bad precedent which could undermine the hard work all sides put into creating in the WTO an objective, rules-based system for managing global trade.

When trade-related U.S.-EU disagreements touch on other sensitive areas of foreign policy, we risk souring the overall business climate. We fortunately reached an understanding in the spring of this year with the Europeans regarding their concerns with the our sanctions against Cuba and Iran/Libya, but only after months of often harsh EU criticism. We remain hopeful that the issue of the Boeing/McDonnell-Douglas merger can be resolved as expeditiously as possible.

In coming months, we will have many opportunities to demonstrate our ability jointly to solve problems and advance trade liberalization. The WTO negotiations on financial services have now been relaunched and, if we work together, the United States and the EU can in December repeat for financial services the success of the basic telecommunications services agreement. We must pool our efforts to conclude the Multilateral Agreement on Investment in the OECD by next spring's deadline. Likewise, we look to Europe to join us in advancing the proposed OECD convention on bribery and official corruption. In the WTO, there are a variety of areas where joint U.S.-EU approaches can make the difference in terms of bringing in other members, from government procurement to new market access initiatives to the unfinished agenda from the Uruguay Round. I particularly note in this regard the upcoming commencement of new WTO agricultural trade negotiations. As in the past, EU cooperation in the agricultural area will clearly spell the difference between success and failure.

In the transatlantic context, we can continue the search for new opportunities to enhance economic interrelationships. We intend to pursue actively the joint study on eliminating barriers to trade and investment and expect to have preliminary recommendations for government action available by the end of this year. The success of the MRA negotiations has resulted already in joint commitments to look at additional sectors that could benefit from this sort of regulatory cooperation.

I hope the United States and Europe can look beyond their differences and keep in mind the broader objective of enhancing transatlantic, and global, prosperity. Europe has much to ponder as it deals with internal issues during the coming years. Our sincere wish is that this focus on the internal will not preclude a constructive role for Europe in the transatlantic and global contexts.

We on the U.S. side will continue to pursue resolution of outstanding disputes, searching wherever possible to defuse situations before they become crises. No one, least of all businesses and workers, benefits from an atmosphere of tension. We shall of course seek resolution of disagreements in the WTO where appropriate -- this is what we constructed the WTO system for and we will do what we can to ensure that it does the job it was meant to do.

In addition, we must persist in looking beyond the series of disputes to the opportunities Europe presents for our companies. This is especially true as the EU contemplates accession negotiations with Central and Eastern Europe and the internal EU reforms that will be necessary to complete that process. Expansion of the EU to include many of the Central and Eastern European states should lead to significant new market opportunities for U.S. firms.

One can contemplate other possibilities for the U.S. and the EU, working together, to move the rest of the world toward the openness and transparency generally existing in transatlantic business relations today. We have many interests in common in third countries, for example. A clear instance where the U.S. and the EU can accomplish a great deal through adoption of a united stance is the accession to the WTO of new members, particularly China, Russia and Ukraine.

I should like before closing to say some additional words about the TABD. I came away from attending the initial TABD Conference in Seville very impressed with the potential of this process for channeling business concerns and ideas to government officials on both sides of the Atlantic. I was particularly struck by the involvement of European companies, which have traditionally not enjoyed the ability to provide input into the official decision-making process that U.S. companies have come to expect as a matter of course. The TABD proved how significant a force for liberalization it can be in the course of the MRA negotiations. Were it not for the good advice and strong, timely intervention of the TABD, it is fair to say that the MRA talks could not have succeeded.

The TABD is first and foremost a forum for debate between businesses. That is as it should be. Governments may not always be able to do everything the TABD asks. I want only to note the U.S. Government's keen appreciation of the great potential for constructive participation by the TABD and the private sectors of both continents in advancing transatlantic and global market liberalization. To the TABD I say: you have been valuable and we hope you keep up the good work.

In sum, I would urge the Subcommittee to consider that our huge and, for the most part, highly successful economic relationship with Europe makes an enormous contribution to our national prosperity and offers great potential for future growth. In order to fully realize this potential, I believe we should continue, through the NTA process and any other appropriate forum, to explore with the EU additional multilateral and transatlantic trade liberalization goals. The approval by Congress of new fast-track authority would, of course, expand considerably the scope of the areas we could jointly investigate. Ultimately, it is up to the United States and Europe to set the pace for the international economy and we should not shrink from this responsibility.

I will be happy to respond to any questions Members may wish to pose. Thank you very much.